

October 28, 2008

Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Ladies and Gentlemen:

In response to the notice and request for comment on the Development of a Guarantee Program for Troubled Assets issued by the Department of the Treasury in the Federal Register (Vol. 73, No. 201) on Thursday, October 16, 2008, please consider the following:

The following factors, taken together, create a compelling argument that the Treasury Department should structure its Guarantee Program to guarantee directly the principal and interest payments "at the MBS level," particularly for residential MBS. The Guarantee Program should focus, in particular, on securities that are held by US institutions and are included in or referenced in leveraged transactions or multiple transactions, or both.

**First**, the Department of the Treasury should make every effort to maximize the effect of each dollar committed under the Guarantee Program;

**Second**, certain types of asset-backed securities ("ABS"), particularly collateralized debt obligations backed by ABS ("ABS CDOs"), are structured to achieve significant leverage;

**Third**, multiple financial institutions may hedge risk or take positions with respect to a single underlying mortgage-backed security ("MBS") tranche;

**Fourth**, financial guarantors, particularly monoline insurance companies, provide guarantees on a variety of financial obligations, including both leveraged ABS and municipal bonds;

**Fifth**, the financial strength of many monoline insurance companies has been significantly impaired by increases in loss reserves required to be held against leveraged structured bonds, including ABS CDOs; and

**Sixth**, the weakened financial strength of monolines has had a negative effect on the credit markets generally, and particularly on the value of municipal bonds, and the ability of municipalities to raise needed funds.

Committing the Guarantee Program funds in this manner will have a ***substantial positive leveraged effect*** on the capital markets and the US economy. Not only will holders of individual MBS tranches benefit, but the effect will be multiplied because of the leverage inherent in ABS CDOs, with an additional positive effect for every holder of a security, swap or other financial instrument that references the guaranteed MBS tranche. Industry experience indicates that the notional exposure in respect of a single MBS tranche is often a significant multiple of the original principal amount of such security. Rather than guaranteeing exposures in troubled assets at the top of this system, and potentially paying numerous times over for losses on a single MBS tranche, the Treasury Department could guarantee at the MBS level, thereby potentially ***multiplying the beneficial effect of such guarantee numerous times over*** throughout the capital and derivatives markets.

In addition, by guaranteeing the obligations at the MBS level, the Guarantee Program will substantially enhance the financial strength of monoline insurers. The increased financial strength will have a direct effect on the value of the guarantees already provided by the monolines, and on future guarantees, on all types of credit products, ***particularly municipal bonds***. This will not only affect the value of the municipal bonds, but will also have a significant impact on the ability of US municipalities to raise needed funds in the bond markets.

In order to most effectively achieve the above described multiplier effect, the Treasury should ensure that, where necessary and appropriate, the relevant parties agree to amend the underlying transaction documents to ensure that the desired effect of principal and interest payments paid under the Guarantee Program, if any, flows up through the various structures to all parties that hold exposure to the guaranteed bond, including the monoline insurers.

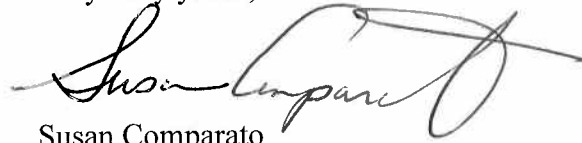
In addition, in order to promote fairness and enhance the return on investment of the Guarantee Program, the Treasury Department should consider requiring all counterparties who hold any security, swap or other financial instrument that directly or indirectly references any bond guaranteed by the Guarantee Program to participate pro-rata in the premium owing under the guarantee.

As a whole, the approach outlined above will provide significant benefits that will 1) bolster the financial strength of banks and other financial institutions, including monoline insurers, 2) enhance value and liquidity in the municipal bond and broader credit markets, and 3) accrue to the benefit of the public interest generally by insuring that the many

market participants who benefit from the proposed Guarantee Program share in providing a substantial return to the US Treasury.

As a final note, if the Department of the Treasury ultimately determines not to focus the Guarantee Program at the MBS level, then we strongly encourage the Treasury Department to consider a reinsurance program whereby the Guarantee Program would guarantee the obligations directly guaranteed by monoline insurers. While we believe guarantees at the MBS level would multiply the positive effect throughout the financial system, insuring the obligations directly guaranteed by monoline insurers would also have a substantial impact on stabilizing the credit markets, and ultimately the US economy.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Susan Comparato", with a large, stylized flourish at the end.

Susan Comparato

Acting Chief Executive Officer and  
President, Syncora Holdings Ltd.

Senior Vice President, General Counsel and  
Secretary, Syncora Guarantee Inc.